

Message Text

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14

ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 IO-13 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04

CEA-01 /112 W

----- 117416

R 221714Z JUL 76

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 4973

INFO AMEMBASSY DAR ES SALAAM

AMEMBASSY GABORONE

AMEMBASSY LONDON

AMEMBASSY LUSAKA

AMEMBASSY MAPUTO

LIMITED OFFICIAL USE PRETORIA 3231

E.O. 11652: N/A

TAGS: RH, ECON, PINT

SUBJECT: NEW RHODESIAN BUDGET

1. ON JULY 15, RHODESIAN MINISTER OF FINANCE, DAVID SMITH, ANNOUNCED NEW BUDGET ACCORDING TO REPORTS IN RHODESIAN PRESS. TOTAL BUDGET EXPENDITURE WILL AMOUNT TO \$702.8 MILLION WITH DEFICIT OF \$21.5 MILLION EXPECTED. EXPENDITURES ARE INCREASING BY 22 PERCENT, UNAVOIDABLE "IN LIGHT OF GROWING DEMANDS OF SECURITY AND PRESENT RATE OF INFLATION". EXCEPT FOR SECURITY, SMITH SAID EXISTING SERVICES WOULD BE MAINTAINED AT CURRENT LEVELS WITH SOME ACTUALLY DECREASING. HE CITED EXPENDITURE RESTRAINTS IN MINISTRIES OF TRANSPORT AND POWER, LOCAL GOVERNMENT AND HOUSING AND INTERNAL AFFAIRS. ON EXPENDITURE SIDE, SMITH SAID HE WOULD TRY TO GET ADDITIONAL BENEFITS FOR TERRORIST VICTIMS AND FAMILIES AND PRESS REPORTS MENTIONED

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GOVERNMENT SUBSIDIES FOR RHODESIAN RAILWAYS AND THE TOBACCO

INDUSTRY AMONGST OTHERS.

2. SMITH STATED THERE WOULD BE NO TAXATION INCREASE (SALES TAXES ON LIQUOR AND TOBACCO HAD GONE UP 5 PERCENT IN APRIL). SIGNIFICANTLY, HOWEVER, HE ALSO ANNOUNCED THAT HE INTENDED TO SUSPEND DUTY ON FIREARMS AND AMMUNITION WHICH "HAVE BECOME A NECESSITY RATHER THAN A SPORTING ACTIVITY".

3. THE MOST CONTROVERSIAL ASPECT OF THE ANNOUNCEMENT WAS THE REDUCTIONS PLACED ON HOLIDAY ALLOWANCES AND THE AMOUNT EMIGRANTS CAN TAKE FROM THE COUNTRY. HOLIDAY ALLOWANCES DROPPED FROM \$400 TO \$250 PER YEAR WHILE EMIGRANTS, WHO COULD TAKE OUT \$5,000 PER FAMILY, CAN NOW ONLY HAVE \$1,000. SMITH WAS QUICK TO ADD THAT THIS DIDN'T EFFECT FREE FLOW OF INCOME TO NON-RESIDENTS OR COMPANIES, A MOVE WHICH WOULD "SERIOUSLY IMPAIR" THE ECONOMY.

4. THERE HAS ALREADY BEEN CONSIDERABLE PRESS SPECULATION, AS WELL AS PRIVATE, ON THE EFFECT OF THE EMIGRATION LIMITATION WITH MANY OBSERVERS FEELING IT MAY WELL SPUR RATHER THAN INHIBIT EMIGRATION. RHODESIAN PRESS HAS BEEN FILLED WITH ADVERSE REACTION TO BOTH MEASURES, AND SUNDAY MAIL OF JULY 18 HAS REPORTED MASS CANCELLATIONS OF TRAVEL PLANS BY RHODESIANS, QUOTING SUCH REMARKS AS "THIS IS HITTING THE AVERAGE MAN BELOW THE BELT". THE RHODESIAN PARTY HAS ATTACKED THE BUDGET AS SHOWING A LACK OF DIRECTION BY RHODESIAN FRONT (RF). RP SPOKESMAN SAID RF HAS BEEN IN "HOLDING OPERATION" POLITICALLY SINCE 1965 AND NOW ARE DOING SAME ON ECONOMIC SIDE. HE CALLED BUDGET AN ADMISSION THAT RHODESIA IS "UP AGAINST CRISIS IN FINANCE, MANPOWER, TRANSPORT FAVILITIES, (AND) INABILITY OF GOVERNMENT TO DEVELOP THE ECONOMY, A PROMISE OF FALLING LIVING STANDARDS AND FEWER SERVICES PROVIDED BY THE STATE". AIRGRAM WITH PRESS CLIPPINGS FOLLOWS. BOWDLER

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